



# The Real Estate TRENDS

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Number 40

## REAL ESTATE ACTIVITY

The final figure for real estate activity in June was not so high as the preliminary figure published in the July Trends Bulletin. The final June figure was 30.6 points above the long-range computed normal instead of 33.8. During July real estate activity continued to show slow improvement, as it rose to 34.0.

Since the new housing bill continues the policy of government-inspired inflation of real estate, we will not be surprised if real estate activity (and real estate values) experience continued mild recovery for a while. As we have stated before, however, we believe that the real estate activity cycle is running true to form and will continue to do so. The present improvement should not be interpreted too optimistically from the long-term viewpoint.

## REAL ESTATE MORTGAGE ACTIVITY

In our February 1948 Trends Bulletin under this heading we said: "Mortgage credit has been getting tighter for some time and we expect the trend in activity to reflect this condition during the early part of 1948. Lenders are becoming cautious and the recent slumps in bond prices and the commodity markets have made them more so. If this return toward reality continues, and we think that it will, mortgage money will dwindle still more, and loud cries will be raised for the government to save the housing industry. In all probability these pleas will be answered and more government guaranteed housing seems to be the prospect."

Since that time the real estate mortgage activity index has fallen from 195.8 to 171.9 and the Administration and Congress have answered the call. Of course, there have not been any particularly loud cries for the government to save the housing industry - at this juncture it doesn't need help. The cries have been for the government to ease the housing shortage by causing more houses to be built.

Great pressure continues to be brought to bear on the government to solve the nation's housing problem by more and easier credit. The fact is that the housing industry is operating at or near capacity all over the country and that more credit does not train more building mechanics or cast more soil pipe, or draw more nails or plane more lumber. The additional easy credit will increase the demand for housing by bringing that many more people into the market and will thereby cause some increase in mortgage activity. But this increased demand will also cause construction costs to rise still further. So we have this strange solution to our problem. We bring more people into a scarcity market by arranging it so these people can buy houses that cost more than the houses these same people couldn't

afford a few months ago.

Were it not for the serious threat additional inflation carries, the moves and counter moves of this election year could afford some amusement. As it is, when we hear both Democrats and Republicans warn of added inflation on one day and pass an inflationary housing bill the next, we wonder at the political and economic wisdom of attempting to carry water on both shoulders.

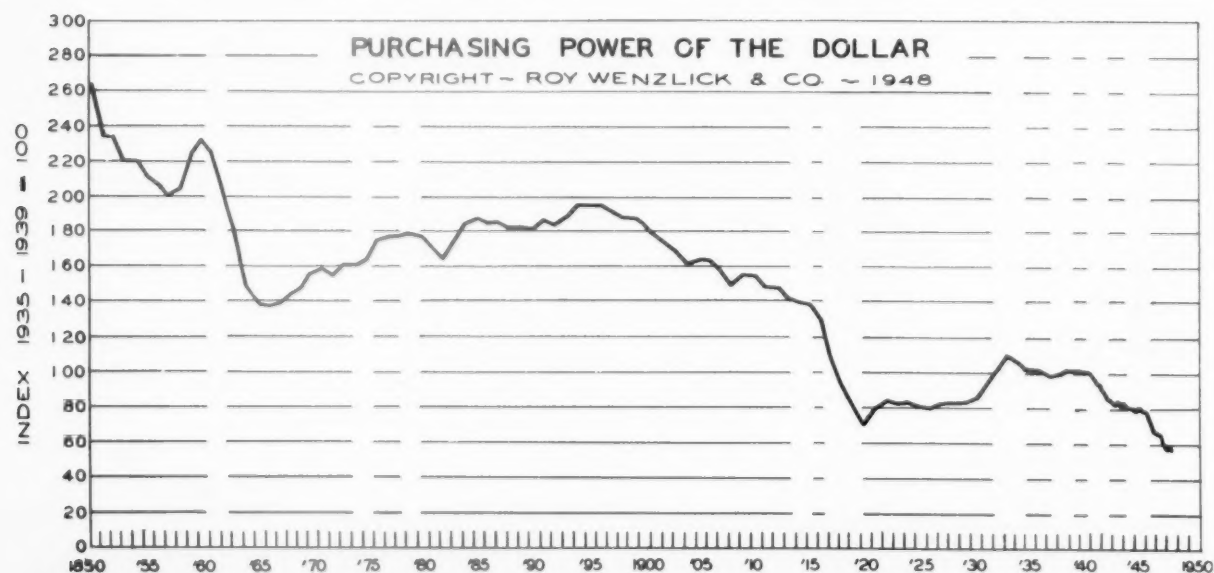
#### WHOLESALE PRICES

The wholesale price index of all commodities hitched upward another notch during the first week of August to a new all-time peak of 169.2. While this is only 69.2 per cent above the 1926 average (100) it is over 119 per cent above the 1939 reading of 77.1. During the second week the index declined minutely to 169.0. In looking over the rises in the various commodities making up the index, we find the following increases since 1939 in building materials: Lumber, 235 per cent; paint and paint materials, 91.5 per cent; plumbing and heating materials, 82 per cent; brick and tile, 67 per cent; structural steel, 43 per cent; cement, 40.5 per cent; all building materials combined, 118 per cent. Of several dozen subgroups making up the wholesale price index, only one showed a price lower than in 1939. The wholesale price of electricity has dropped 16 per cent since 1939.

Since starting its climb in early 1946 the wholesale commodity price index has suffered three reverses. In September 1946 it dropped 5 points and recovered in two weeks. In April and May 1947 it dropped 3 points and recovered in six weeks, and in February 1948 it dropped 5 points and recovered in sixteen weeks.

Although building material prices will probably show some further increases, we believe most items have about reached their peak and can be expected to bob around a bit for the next few months. We do not anticipate a general sustained price decline any time soon.

In summing up causes for the high prices of consumer goods, the Joint Committee on the Economic Report, Congress of the United States, remarked:



Government programs supporting the prices of individual agricultural commodities, whether eggs, poultry, potatoes, or any other commodity, tend to prevent a general reduction of food prices. Such a general reduction would result only from transmitting generally the effect of more marked reductions in the prices of particular commodities at various times. It makes no sense for the Government to support the present inflated price level, although the subcommittee is agreed that the Government should have a program to maintain a floor under agricultural prices. Purchasing methods should be controlled carefully to minimize the disturbance resulting from the large operations of the Government.

#### CONSTRUCTION COSTS

The up-to-date cost on our one-story commercial building (see page 69, February 28, 1948, Trends Bulletin) is \$37,304, an increase of \$2,686 over the corrected February 1948 figure of \$34,618. This represents an increase of 7.8 per cent in the construction cost of this building since February. Since the building contains 8075 square feet and 115,850 cubic feet, the square foot cost is \$4.62 and the cost per cubic foot is 32.2¢.

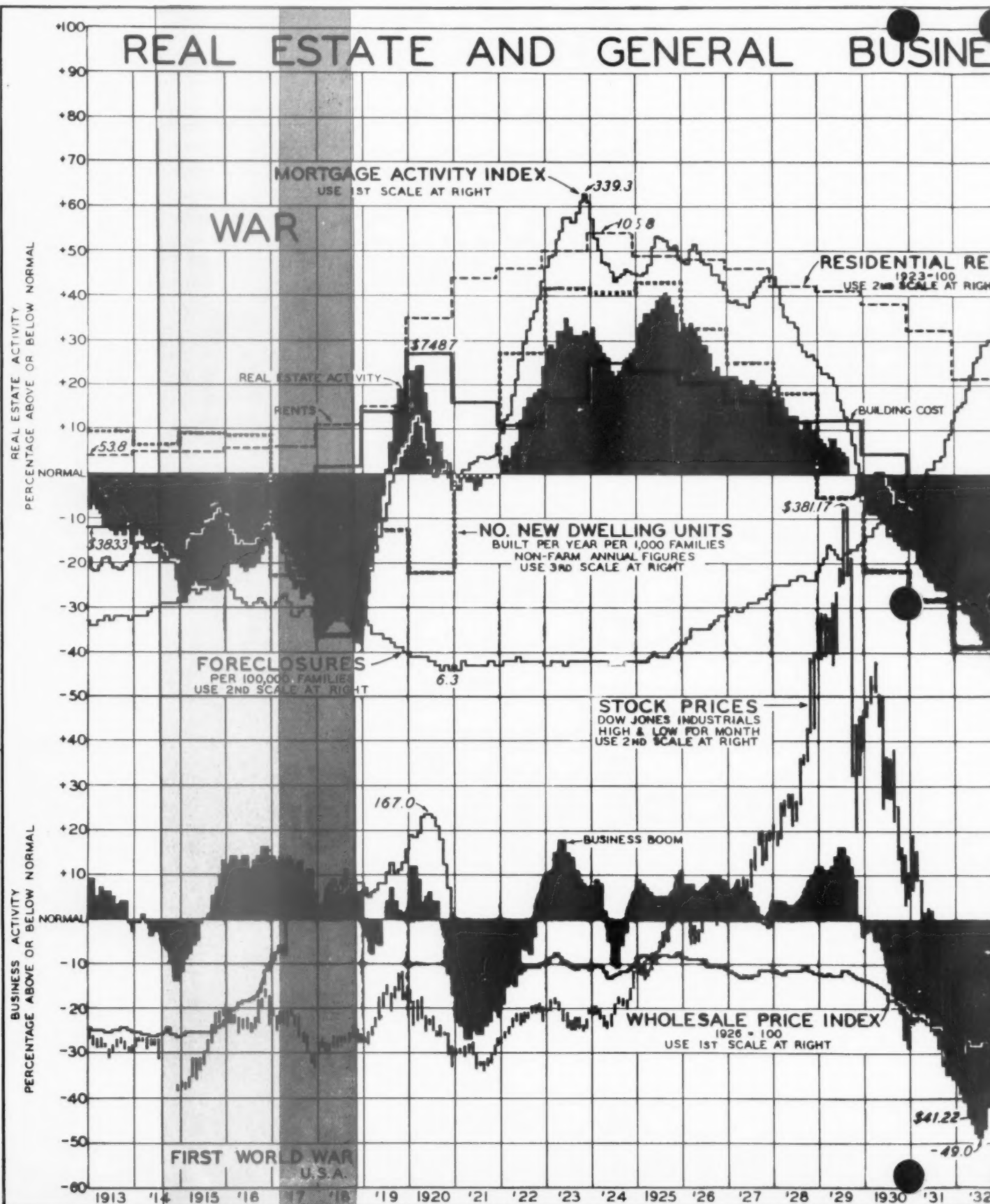
We have recently completed our survey of construction costs in 48 cities. The estimated costs for building our standard six-room frame house in 1939 and in August 1948 appear on page 354. As we pointed out in our February Trends Bulletin, we believe that the 1939 costs shown are too high because only union scale wage data are available to us that far back, and we believe that in 1939 most residential construction was being done at below the union scale. This would tend to make the 1939 costs too high and, therefore, make the percentage increase since then too low. In those cities marked with an asterisk the house is figured without a basement and with a content of 20,180 cubic feet.

Construction costs of our standard six-room frame house in St. Louis rose fractionally in August to another new high - \$14,453. This is \$8,559 (or approximately 145 per cent) above the 1939 cost of \$5,894. The inflationary aspects of the new housing bill will no doubt forestall any appreciable drop in construction costs during the balance of the year and will in all probability cause further increases. We do not believe that these increases will be very large as we think that construction costs are wavering toward the peak.

#### RESIDENTIAL CONSTRUCTION

The year ending in July 1948 recorded over 955,000 nonfarm dwelling units started. While this total is above the record calendar year of 1925 when 937,000 units were started, it is still far below the 1925 rate of building as expressed in our building activity index. During 1925 nonfarm residences were started at the rate of 46.62 units per 1000 nonfarm families per year. Due to the large increase in the number of families since that time, the present rate is 29.6 units per 1000 nonfarm families. There is still some doubt as to whether or not 1,000,000 nonfarm residential starts will be made during the present calendar year, but the final count is sure to be near that figure.

# REAL ESTATE AND GENERAL BUSINESS





# BUSINESS INDICATORS

ROY WENZLICK & CO.  
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS  
SAINT LOUIS

REAL ESTATE ACTIVITY  
NUMBER VOLUNTARY TRANSFERS  
USE SCALE AT LEFT

WAR

BUILDING COST  
STANDARD 6 ROOM FRAME  
HOUSE IN SAINT LOUIS  
USE SCALE AT RIGHT

REAL ESTATE ACTIVITY

REAL ESTATE ACTIVITY

REAL ESTATE ACTIVITY

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REAL ESTATE ACTIVITY

REAL ESTATE ACTIVITY

GENERAL BUSINESS ACTIVITY  
CLEVELAND TRUST CO.  
USE SCALE AT LEFT

SECOND WORLD WAR  
U.S.A.

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MORTGAGES  
RENTS  
FORECLOSURES  
FRAME HOUSE  
DWELLING UNITS  
WHOLESALE PRICES  
STOCK PRICES

84.6

COST

COST

COST

COST

COST

COST

COST

COST

COST

COST

COST

COST

COST

-48.5

86.1

\$14453

34.0

81.3

29.6

171.9

2.9

41.0

32.2

169.2

\$191.62

\$181.20

\$41.22

-49.0

BUSINESS DEPRESSION

'31 '32 '33 '34 '35 '36 '37 '38 '39 '40 '41 '42 '43 '44 '45 '46 '47 '48 '49 '50

## INCREASES IN BUILDING COSTS SINCE 1939

(SAINT LOUIS)



### SIX-ROOM BRICK HOUSE

(FRAME INTERIOR)\*

Content: 23,100 cubic feet

1,520 square feet

Cost 1939: \$ 6,400

(27.7¢ per cubic foot; \$4.21 per square foot)

Cost today: \$14,519

(62.9¢ per cubic foot; \$9.55 per square foot)

INCREASE OVER 1939 = 127.0%



### FIVE-ROOM BRICK VENEER HOUSE\*

Content: 24,910 cubic feet

1,165 square feet

Cost 1939: \$ 5,440

(21.8¢ per cubic foot; \$ 4.67 per square foot)

Cost today: \$12,751

(51.2¢ per cubic foot; \$10.95 per square foot)

INCREASE OVER 1939 = 134.5%



### SIX-ROOM FRAME HOUSE\*

Content: 25,376 cubic feet

1,650 square feet

Cost 1939: \$ 5,894

(23.2¢ per cubic foot; \$3.57 per square foot)

Cost today: \$14,453

(57.0¢ per cubic foot; \$8.76 per square foot)

INCREASE OVER 1939 = 146.0%

WE ARE NOW OFFERING SIMILAR HOMES AS LISTED  
FOR A FIVE-STORY STUCCO BUNGALOW WITH NO BASE-  
MENT. THIS INFORMATION WILL APPEAR IN THE  
SPRING 1940 EDITION.

\*Costs include full basement.

# INCREASES IN BUILDING COSTS SINCE 1939

(SAINT LOUIS)



## COMMERCIAL BUILDING

Content: 115,850 cubic feet  
8,075 square feet

Cost today: \$37,304  
(32.2¢ per cubic foot; \$4.62 per square foot)



## 18-FAMILY BRICK APARTMENT (FRAME INTERIOR)\*

Content: 168,385 cubic feet  
13,260 square feet

Cost 1939: \$ 60,300  
(35.8¢ per cubic foot, \$ 4.55 per square foot)  
Cost today: \$139,846  
(83.0¢ per cubic foot; \$10.53 per square foot)  
INCREASE OVER 1939 = 132.0%



## 30-UNIT REINFORCED CONCRETE APARTMENT\*

Content: 303,534 cubic feet  
21,372 square feet

Cost 1939: \$135,000  
(44.5¢ per cubic foot; \$ 6.33 per square foot)  
Cost today: \$297,825  
(98.1¢ per cubic foot; \$13.95 per square foot)  
INCREASE OVER 1939 = 120.0%

\*Costs include full basement.

City	1939 cost	1939 cubic foot cost	Present cost	Present cubic foot cost	% increase since 1939
Albuquerque, N. M.*	\$6,531	32.4	\$12,815	63.5¢	96.2
Atlanta, Ga.	5,947	23.4	11,838	46.7	99.1
Austin, Tex.*	6,811	33.8	12,686	62.9	86.3
Birmingham, Ala.	6,625	26.1	11,869	46.8	79.2
Boise, Idaho	6,842	27.0	13,941	54.9	103.8
Boston, Mass.	7,283	28.7	15,150	59.7	108.0
Burlington, Vt.	6,498	25.6	13,951	55.0	114.7
Butte, Mont.	7,575	29.9	14,334	56.5	89.3
Charleston, S. C.	6,033	23.8	11,690	46.1	93.8
Charleston, W. Va.	6,287	24.8	14,556	57.4	131.5
Charlotte, N. C.	5,998	23.6	12,327	48.6	105.5
Cincinnati, Ohio	7,374	29.1	14,807	58.3	100.8
Cleveland, Ohio	6,813	26.8	14,739	58.1	116.3
Denver, Colo.	7,724	30.4	13,601	53.6	76.1
Des Moines, Iowa	6,919	27.3	14,493	57.1	109.5
Detroit, Mich.	6,422	25.3	13,700	54.0	113.3
Fargo, N. D.	6,543	25.8	14,060	55.4	114.9
Hartford, Conn.	6,950	27.4	14,552	57.3	109.4
Houston, Tex.*	6,171	30.6	12,374	61.3	100.5
Indianapolis, Ind.	6,961	27.4	14,059	55.4	102.0
Jackson, Miss.	6,045	23.8	11,293	44.5	86.8
Knoxville, Tenn.	6,048	23.8	11,495	45.2	89.5
Los Angeles, Calif.*	5,714	28.3	12,514	62.0	119.0
Louisville, Ky.	6,496	25.6	13,341	52.6	105.4
Manchester, N. H.	7,295	28.7	14,542	57.3	99.3
Memphis, Tenn.	6,806	26.8	12,204	48.1	79.3
Milwaukee, Wis.	7,038	27.7	14,198	56.0	101.7
Minneapolis, Minn.	7,557	29.8	13,848	54.6	83.2
New Orleans, La.*	7,201	35.7	12,621	62.6	75.3
New York, N. Y.	7,653	30.2	14,905	58.7	94.8
Oklahoma City, Okla.	7,714	30.4	13,212	52.1	71.3
Omaha, Neb.	6,370	25.1	13,392	52.8	110.2
Philadelphia, Pa.	6,521	25.7	13,379	52.7	105.2
Phoenix, Ariz.*	6,830	33.9	13,905	68.9	103.6
Pittsburgh, Pa.	7,464	29.4	15,980	63.0	114.1
Portland, Me.	6,188	24.4	12,889	50.8	108.3
Portland, Oreg.	6,523	25.7	13,040	51.4	99.9
Providence, R. I.	6,726	26.5	14,368	56.6	113.6
Reno, Nev.	6,687	26.4	13,986	55.1	109.2
Richmond, Va.	5,920	23.3	11,640	45.9	96.6
Salt Lake City, Utah	6,981	27.5	14,126	55.7	102.3
San Francisco, Calif.	6,649	26.2	13,845	54.6	108.2
Seattle, Wash.	6,734	26.5	13,476	53.1	100.1
Sioux Falls, S. D.	7,130	28.1	14,634	57.7	105.2
Trenton, N. J.	8,186	32.3	16,387	64.6	100.2
Washington, D. C.	7,419	29.2	13,827	54.5	86.4
Wichita, Kan.	6,749	26.6	13,271	52.3	96.6
Wilmington, Del.	6,291	24.8	14,636	57.9	132.6

\*No basement under house.